

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA

INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2010

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PLAINS AREA MENTAL HEALTH, INC.  
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Patrick N. Murphy	President	2010
Val Droog	Vice-President	2010
Ann Mackrill	Secretary	2011
Wayne Meylor	Treasurer	2011
Dennis Bennett	Member	2012
Barry Goettsch	Member	2011
Jay Bleil	Member	2011
Rev. Matthew Draffen	Member	2010
Paul Jacobson	Member	2012
Jeffrey Hayes	Member	2011
Jeff Waldner	Member	2012
Patrick Schmitz	Executive Director	Indefinite

COUNTY BOARD LIAISONS:

Terry Graybill	Cherokee County Supervisor
Jim Henrich	Plymouth County Supervisor
Allen Hilker	Ida County Supervisor
Rhonda Ringgenberg	Buena Vista County Supervisor

# BURKHARDT & DAWSON

## Certified Public Accountants

DONNA R. BURKHARDT, CPA  
LAURA M. DAWSON, CPA

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### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Plains Area Mental Health, Inc.  
Le Mars, Iowa

We have audited the accompanying statement of financial position, of Plains Area Mental Health, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2009 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated August 27, 2009, was expressed.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. at June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2010 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The information on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BURKHARDT & DAWSON, CPA's

  
Certified Public Accountants

August 25, 2010

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>			<u>2009</u>
	UNRE- STRICTED <u>FUND</u>	FURNITURE, FIXTURES AND EQUIPMENT <u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
ASSETS				
CURRENT ASSETS:				
Cash on Hand	\$ 3,758	\$ 0	\$ 3,758	\$ 2,700
Cash in Savings and Money Market Funds	525,462	482	525,944	533,835
Accounts Receivable, Net of Allowance for Doubtful Accounts and Rate Adjustments of \$136,600 and \$168,800 at June 30, 2010 and 2009, Respectively	146,024	0	146,024	142,818
Other Receivables	32,053	0	32,053	35,284
Grant Receivables	21,288	0	21,288	17,980
Prepaid Expenses	878	0	878	885
Marketable Securities	<u>24,009</u>	<u>0</u>	<u>24,009</u>	<u>20,855</u>
 TOTAL CURRENT ASSETS	 <u>\$753,472</u>	 <u>\$ 482</u>	 <u>\$753,954</u>	 <u>\$754,357</u>
FURNITURE, FIXTURES AND EQUIPMENT:				
Leasehold Improvements	\$ 0	\$ 44,008	\$ 44,008	\$ 29,831
Office Furniture and Equipment	<u>0</u>	<u>274,762</u>	<u>274,762</u>	<u>293,975</u>
 TOTAL	 \$ 0	 \$318,770	 \$318,770	 \$323,806
 LESS - Accumulated Depreciation	 <u>0</u>	 <u>180,151</u>	 <u>180,151</u>	 <u>202,331</u>
 NET FURNITURE, FIXTURES AND EQUIPMENT	 <u>\$ 0</u>	 <u>\$138,619</u>	 <u>\$138,619</u>	 <u>\$121,475</u>
OTHER ASSETS:				
Investments	\$ <u>11,000</u>	\$ <u>0</u>	\$ <u>11,000</u>	\$ <u>11,000</u>
 TOTAL ASSETS	 <u>\$764,472</u>	 <u>\$139,101</u>	 <u>\$903,573</u>	 <u>\$886,832</u>

See accompanying notes to financial statements

	<u>2010</u>			<u>2009</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable	\$ 37,952	\$ 0	\$ 37,952	\$ 40,898
Deferred Grant Revenue	155,834	0	155,834	157,758
Payroll Taxes Payable	11,794	0	11,794	10,290
Accrued Salaries	83,386	0	83,386	79,473
Accrued Pension Payable	<u>2,289</u>	<u>0</u>	<u>2,289</u>	<u>858</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$291,255</u>	<u>\$ 0</u>	<u>\$291,255</u>	<u>\$289,277</u>
<b>TOTAL LIABILITIES</b>	<u>\$291,255</u>	<u>\$ 0</u>	<u>\$291,255</u>	<u>\$289,277</u>
<b>NET ASSETS:</b>				
Unrestricted:				
Undesignated	<u>\$473,217</u>	<u>\$139,101</u>	<u>\$612,318</u>	<u>\$597,555</u>
<b>TOTAL NET ASSETS</b>	<u>\$473,217</u>	<u>\$139,101</u>	<u>\$612,318</u>	<u>\$597,555</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$764,472</u>	 <u>\$139,101</u>	 <u>\$903,573</u>	 <u>\$886,832</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>			<u>2009</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Contributions	\$ 1,000	\$ 0	\$ 1,000	\$ 400
Fees and Grants From Governmental Agencies	480,394	0	480,394	595,777
Outpatient and Community Services	1,328,574	0	1,328,574	1,412,176
Investment/Dividend Income	87,955	4	87,959	18,641
Recovery of Bad Debts	12,015	0	12,015	12,454
Miscellaneous Income	46,043	0	46,043	45,949
(Loss) on Disposal of Equipment	0	(920)	(920)	(124)
Unrealized Gain on Investments	<u>3,154</u>	<u>0</u>	<u>3,154</u>	<u>638</u>
 TOTAL PUBLIC SUPPORT AND REVENUES	 <u>\$1,959,135</u>	 <u>\$ (916)</u>	 <u>\$1,958,219</u>	 <u>\$2,085,911</u>
EXPENSES:				
Program Services:				
Outpatient and Community Support Services	\$1,074,964	\$ 0	\$1,074,964	\$1,144,052
Special Program Costs	<u>45,107</u>	<u>0</u>	<u>45,107</u>	<u>40,986</u>
 TOTAL PROGRAM SERVICES	 \$1,120,071	 \$ 0	 \$1,120,071	 \$1,185,038



PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>			<u>2009</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
EXPENSES - CONTINUED:				
Supporting Services:				
Management and General	\$ <u>800,023</u>	\$ <u>23,362</u>	\$ <u>823,385</u>	\$ <u>662,038</u>
TOTAL EXPENSES	\$ <u>1,920,094</u>	\$ <u>23,362</u>	\$ <u>1,943,456</u>	\$ <u>1,847,076</u>
CHANGES IN NET ASSETS FROM OPERATIONS	\$ 39,041	\$ (24,278)	\$ 14,763	\$ 238,835
OTHER CHANGES:				
Equipment Acquisitions (Net of Disposals) From Unrestricted Fund	5,037	(5,037)	0	0
TRANSFER OF FUND FROM UNRESTRICTED FUND	(46,463)	46,463	0	0
NET ASSETS AT BEGINNING OF YEAR	<u>475,602</u>	<u>121,953</u>	<u>597,555</u>	<u>358,720</u>
NET ASSETS AT END OF YEAR	<u>\$ 473,217</u>	<u>\$139,101</u>	<u>\$ 612,318</u>	<u>\$ 597,555</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	2010		
	PROGRAM SERVICES		
	ADM GRANT	SIOUXLAND AGING SERVICES	OUTPATIENT AND COMMUNITY SUPPORT SERVICES
Salaries and Wages	\$ 12,462	\$ 10,723	\$ 514,854
Employee Benefits and Payroll Taxes	3,309	3,302	156,051
Employee Travel and Transportation	1,188	1,620	11,369
TOTAL SALARIES AND RELATED EXPENSES	\$ 16,959	\$ 15,645	\$ 682,274
Contracted Services	0	0	281,573
Professional Development	976	0	6,657
Supplies, Books and Literature	1,500	212	33,429
Telephone	0	0	21,835
Postage	0	0	6,131
Repairs and Maintenance	0	0	0
Rents	0	2,000	0
Conferences, Conventions and Meetings	402	0	0
Membership Dues and Subscriptions	0	0	759
Insurance	46	39	22,113
Miscellaneous	0	0	2,180
Advertising and Recruitment	0	703	18,013
Professional Services	6,625	0	0
Bad Debts	0	0	0
Utilities	0	0	0
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 26,508	\$ 18,599	\$1,074,964
Depreciation	0	0	0
TOTAL EXPENSES	<u>\$ 26,508</u>	<u>\$ 18,599</u>	<u>\$1,074,964</u>

See accompanying notes to financial statements

<u>2010</u>		<u>2009</u>
<u>SUPPORTING</u>	<u>TOTAL</u>	<u>TOTAL</u>
<u>SERVICES</u>	<u>PROGRAM</u>	<u>PROGRAM</u>
<u>MANAGE-</u>	<u>AND</u>	<u>AND</u>
<u>MENT</u>	<u>SUPPORTING</u>	<u>SUPPORTING</u>
<u>AND</u>	<u>SERVICES</u>	<u>SERVICES</u>
<u>GENERAL</u>	<u>EXPENSES</u>	<u>EXPENSES</u>
\$336,695	\$ 874,734	\$ 862,102
101,820	264,482	246,505
13,312	27,489	31,132
\$451,827	\$1,166,705	\$1,139,739
22,734	304,307	308,190
198	7,831	5,708
4,222	39,363	33,929
529	22,364	21,522
0	6,131	8,172
41,816	41,816	25,775
122,780	124,780	101,460
5,758	6,160	7,653
7,967	8,726	9,646
1,234	23,432	25,690
1,046	3,226	2,869
57	18,773	19,572
37,625	44,250	37,035
82,245	82,245	61,906
19,985	19,985	18,674
\$800,023	\$1,920,094	\$1,827,540
23,362	23,362	19,536
<u>\$823,385</u>	<u>\$1,943,456</u>	<u>\$1,847,076</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 14,763	\$ 238,835
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Loss on Sale of Equipment	920	124
Depreciation	23,362	19,536
Net Unrealized (Gain) on Investments	(3,154)	(638)
(Increase) Decrease in:		
Accounts Receivable	(3,206)	49,091
Other Receivables	3,231	130,921
Grant Receivables	(3,308)	(4,090)
Prepaid Expenses	7	94
Increase (Decrease) in:		
Accounts Payable	(2,946)	6,336
Deferred Grant Revenue	(1,924)	157,758
Payroll Taxes Payable	1,504	1,856
Accrued Salaries	3,913	10,403
Accrued Pension Payable	1,431	(12,119)
Accrued Interest Payable	<u>0</u>	<u>(183)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 34,593</u>	<u>\$ 597,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	\$ (42,076)	\$ (82,308)
Sale of Equipment	<u>650</u>	<u>0</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (41,426)</u>	<u>\$ (82,308)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of Credit Repayments	<u>\$ 0</u>	<u>\$ (15,000)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ 0</u>	<u>\$ (15,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (6,833)	\$ 500,616
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>536,535</u>	<u>35,919</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 529,702</u>	<u>\$ 536,535</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash on Hand	\$ 3,758	\$ 2,700
Cash in Savings and Money Market Funds	<u>525,944</u>	<u>533,835</u>
	<u>\$ 529,702</u>	<u>\$ 536,535</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 0</u>	<u>\$ 183</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux and Buena Vista Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

FUND ACCOUNTING - The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

UNRESTRICTED FUND - This fund is utilized to account for the daily transactions of the Center that are not properly recorded in another fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the balance sheet.

FURNITURE, FIXTURES AND EQUIPMENT FUND - This fund is established to account for all furniture and equipment of the Center and provide funds for replacements.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

**FURNITURE, FIXTURES AND EQUIPMENT** - Furniture and equipment is stated at cost. Expenditures for additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

**BASIS OF ACCOUNTING** - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted fund balance and capitalized in the furniture, fixtures and equipment fund.

**BASIS OF PRESENTATION** - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS - The Center considers cash on hand and demand deposits in banks as cash, and certificates of deposit with original maturities of three months or less as cash equivalents. There were no cash equivalents at June 30, 2010 and 2009.

RECEIVABLES - Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

MARKETABLE EQUITY SECURITIES - The Center's marketable securities are classified as available for sale and consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date.

Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

DONATED MATERIALS - Donated materials are recognized as contributions and valued at fair market value at receipt.

COMPENSATED ABSENCES - Center employees accumulate a limited amount of earned but unused PTO (paid time off) benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2010 and 2009.

PROMISES TO GIVE - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional.

DATE OF MANAGEMENT'S REVIEW - Management has evaluated subsequent events through August 25, 2010, the date which the financial statements were issued.



PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

NET PATIENT SERVICE REVENUE - Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

TOTAL COLUMN - The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - INVESTMENTS:

Cost and fair market value of marketable securities available for sale at June 30, 2010 and 2009 are as follows:

<u>YEAR</u>	<u>COST</u>	<u>UNREALIZED LOSSES</u>	<u>FAIR VALUE</u>
2010	\$ 28,619	\$ 4,610	\$ 24,009
2009	\$ 28,619	\$ 7,764	\$ 20,855

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS:

OPERATING LEASES:

The Center rents space for the Le Mars, Cherokee and Storm Lake offices under noncancellable operating leases. The Center rents two copiers for the Le Mars and Cherokee offices under a noncancellable operating lease, which expires May 10, 2015. The operating lease expense under noncancellable operating leases was \$122,883 and \$89,770 for the years ended June 30, 2010 and 2009, respectively. The following schedule shows the minimum future rental payments due under the leases.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS - CONTINUED:

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2011	\$130,717
2012	130,717
2013	123,593
2014	61,932
2015	16,332
Thereafter	0
TOTAL	<u>\$463,291</u>

The Cherokee and LeMars offices sublease a portion of their office space. The Storm Lake office subleases a portion of their office space under a noncancellable operating lease. Total rent earned for the years ended June 30, 2010 and 2009 was \$23,206 and \$24,696, respectively.

The following schedule shows the minimum future rental revenue due under noncancellable subleases.

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2011	\$ 12,150
2012	12,150
2013	12,150
2014	12,150
2015	4,050
Thereafter	0
TOTAL	<u>\$ 52,650</u>

NOTE 4 - CONTINGENCIES:

Sick leave hours were converted to Paid Time Off (PTO) in fiscal year 2008 at the rate of one sick leave hour equals .25 PTO hours. PTO includes vacation and converted sick leave. A terminated employee may be paid up to a maximum of 160 hours. During a transition period that ends December 31, 2010, an employee could have more than 160 hours of PTO accrued. The Center's appropriate maximum liability for unrecognized accrued employee benefits at June 30, 2010 and 2009 was \$5,438 and \$5,793, respectively.

NOTE 5 - PENSION PLAN:

Effective June 1, 1996, the Center adopted a profit sharing pension plan covering substantially all of its full-time employees. The Center contributes 5% of covered employees salaries. Pension expense amounted to \$28,714 and \$23,654 for 2010 and 2009, respectively. Previously the Center had a defined contribution pension plan. Plan assets remain in this plan but no new contributions will be made.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 6 - OTHER ASSETS:

The Center has joined with other similar agencies to form Tri-State Behavioral Health Association. This is a nonprofit group formed to benefit its members. The original investment was \$11,000. It is carried at cost.

NOTE 7 - RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 - NOTE PAYABLE:

Plains Area Mental Health, Inc. had a line of credit for up to \$50,000 with First National Bank of LeMars. The balance on the note at June 30, 2010 was \$-0-. The interest rate was 5.0% and the line of credit expired October 15, 2009.

NOTE 9 - CONCENTRATION OF CREDIT RISK:

Plains Area Mental Health, Inc. maintains deposits in a financial institution that exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) at June 30, 2010.

NOTE 10- UNEARNED INCOME:

Plains Area Mental Health, Inc. received a grant for telehealth services and equipment. The Center has reported unearned income and will recognize the revenue as they incur the corresponding expenses. The original grant for services was \$158,700. Grant equipment purchases were \$53,690 for the year ending June 30, 2009. Revenue recognized for the years ending June 30, 2010 and June 30, 2009 was \$1,924 and \$54,632, respectively.

## **SUPPLEMENTAL INFORMATION**

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
SCHEDULE OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u>
COUNTY ALLOTMENTS:		
Plymouth County, Iowa	\$149,472	\$194,149
Cherokee County, Iowa	74,230	86,358
Ida County, Iowa	52,042	49,139
Buena Vista County, Iowa	115,053	134,188
Other Iowa Counties	<u>1,840</u>	<u>2,605</u>
	<u>\$392,637</u>	<u>\$466,439</u>
ADM GRANT:		
Department of MH/MR/DD	<u>\$ 48,219</u>	<u>\$ 32,583</u>
ELDERLY PEER GRANT:		
Siouxland Aging Services	<u>\$ 6,089</u>	<u>\$ 15,000</u>
HEAD START GRANT:		
Mid-Sioux Opportunity, Inc. Head Start Program	<u>\$ 8,000</u>	<u>\$ 8,000</u>
JAIL SERVICES	<u>\$ 5,175</u>	<u>\$ 6,075</u>
STIMULUS GRANT	<u>\$ 15,350</u>	<u>\$ 0</u>
COMMUNITY FOUNDATION GRANT	<u>\$ 3,000</u>	<u>\$ 1,078</u>
TELEHEALTH GRANT	<u>\$ 1,924</u>	<u>\$ 54,632</u>
REWARD FOR QUALITY	<u>\$ 0</u>	<u>\$ 11,970</u>
	<u>\$480,394</u>	<u>\$595,777</u>

See accompanying independent auditors' report

# BURKHARDT & DAWSON

## Certified Public Accountants

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### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Plains Area Mental Health, Inc.

We have audited the financial statements of Plains Area Mental Health, Inc., LeMars, Iowa, as of and for the year ended June 30, 2010, and have issued our report thereon dated August 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Plains Area Mental Health, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles

such that there is more than a remote likelihood a misstatement of Plains Area Mental Health, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Plains Area Mental Health, Inc.'s internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the Center's responses, we did not audit Plains Area Mental Health, Inc.'s responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Plains Area Mental Health, Inc. and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

  
Certified Public Accountants

August 25, 2010

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center's financial statements. We noted one individual has custody of receipts and performs all recordkeeping and reconciling functions for the office.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center segregates duties to the best of its ability with the limited number of staff employed.

Conclusion - Response Accepted.

- (B) Capitalization Policy - Policy is to capitalize purchases over \$250. Purchases were capitalized that were under \$250.

Recommendation - The Center should follow its capitalization policy or update the policy.

Response - Greater care will be taken in categorizing capital expenditures.

Conclusion - Response Accepted.